

RULE 1.4. APPLICATION TO DRILL.

(a) Before any person shall commence the drilling of any well in search of oil or gas, such person shall file in duplicate with the Board on Form 2 his application for a permit to drill, accompanied by a certified plat and by a fee of six hundred dollars (\$600), payable to the State Oil and Gas Board. When two (2) or more separately owned tracts of land are embraced within the unit for which the permit is sought, the application shall affirmatively state whether or not there are separately owned tracts in the drilling unit for which the permit is sought, and if so, whether or not the person owning the drilling rights therein and the rights to share in the production therefrom have agreed to develop their lands as a drilling unit and to the drilling of the well, as contemplated by Section 53-3-7, Mississippi Code of 1972. If drilling operations have not commenced within twelve (12) months after date of issuance, the permit shall become void. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued promptly by the Supervisor. The issuance of said permit shall constitute the establishment of the drilling unit as designated in said application and shall likewise constitute the approval of the well location set out in said permit. On good cause shown, the unit may be altered by the Board after notice and hearing.

If the application for permit does not comply in all respects with the rules and regulations of the Board relating thereto, said application shall be disallowed, and the Supervisor shall promptly notify the applicant of the reason or reasons for said disallowance.

(b)(1) The operator of each well that has been permitted and drilled but not plugged and reported as plugged as required by Rule 28(B)(3)(d) shall, for each such well, pay an annual fee of \$100.00 to the Emergency Plugging Fund of the Mississippi State Oil & Gas Board. The per well annual fee is due and payable by the operator of the well on July 1st of each year for each well which is then permitted and drilled but not plugged and reported as plugged as required by Rule 28(B)(3)(d). Any such payment of the annual fee provided for herein shall be accompanied by an attachment listing the field name, API #, and well name of each well covered by said payment.

In the event of non-payment of said annual fees by August 15th of any given year, the Board may, in addition to any other means of enforcement allowed under the statutes, rules and regulations of the Board, suspend the permit, suspend the Form 8 (Authorization to Transport Oil or Gas) and/or suspend the Form 9-A (Inactive Well Status) on the subject well and/or any other wells operated by the subject operator. Any such suspension may be carried out by the Supervisor without further action from the Board. After such suspension, reinstatement shall require payment by the subject operator of the delinquent fee plus five percent (5%) penalty per month for each month or portion of a month after July that the fee remains unpaid.

(2) Additional Annual Fees for Inactive Wells

The operator of each inactive well which has been permitted and drilled but not plugged and reported as plugged as required by Statewide Rule 28(B)(3)(d) shall, for each such inactive well, pay an additional \$100.00 annual inactive well fee to the Emergency Plugging Fund of the Mississippi State Oil and Gas Board. The additional per well annual inactive well fee for each

such inactive and unplugged well shall be due and payable by the operator at the time of the filing with the Mississippi State Oil and Gas Board of a petition to approve or extend the inactive well status of such well in accordance with the requirements of Statewide Rule 28.

This additional \$100.00 annual inactive well fee shall be due and payable by the operator for each inactive well which has been permitted and drilled but not plugged and reported as plugged as required by Statewide Rule 28(B)(3)(d), including regular oil and gas wells, wells within designated secondary and tertiary recovery projects (fieldwide unit wells), conventional Class II fluids disposal wells and Class II enhanced oil recovery wells.

Every Class II well which remains shut-in or on standby status longer than one (1) year shall file an inactive well petition with the Mississippi State Oil and Gas Board in accordance with the requirements of Statewide Rule 28.

(c) FINANCIAL RESPONSIBILITY.

(1) As a prerequisite to any person or persons hereafter being issued a permit to drill under the provisions of this Rule, or upon filing of an Oil & Gas Board Form 2 requesting Change of Operator of any well, said person(s) shall file with the Board proof of financial responsibility in such form as is acceptable to the Supervisor in an amount as hereinafter set forth, in accordance with the rules, regulations, and orders of the Board and with the laws of the State of Mississippi. Likewise, the Operator of each unplugged well permitted by this Board prior to August 1, 1998 shall file with the Board such proof of financial responsibility. The amount of the financial responsibility instrument for these wells permitted prior to August 1, 1998 shall be in the amount required in this Rule 4. Failure to provide such proof of financial responsibility on or before January 1, 2009 for unplugged wells permitted prior to August 1, 1998, may subject such wells to immediate plugging. Such financial responsibility instrument shall be payable to the Emergency Plugging Fund of the Mississippi State Oil & Gas Board, for each such well, and shall be executed by such person(s) as principal, and by some surety approved by the Board or by the Supervisor. Each such financial responsibility instrument shall be conditioned that, if such well is drilled, such person(s) shall properly plug and abandon such well in accordance with the provisions of Rule 28 of the Statewide Rules & Regulations, all other statutes, rules, regulations, permits and orders of the Board.

(2) The amount of such financial responsibility instrument shall be in accordance with the following relationship of footage:

Depth in feet	Amount required
Zero to 10,000	\$ 20,000
10,001- 16,000	30,000
16,001- or more	60,000

Provided, further, the Board, in its reasonable discretion for good cause, after notice and hearing, on its own motion or on motion of any interested party, may require proof of a different

amount of surety because of environmentally sensitive conditions at the drill site or for other justifiable reasons and may determine any existing financial responsibility instrument to be inadequate and may require the filing of a new and different instrument or an appropriate amendment to a previously filed instrument. The amount of such instrument required may be more or less than hereinabove set forth, the hearing upon such matter shall be conducted in the same manner as any other hearing before the Board.

Any such financial responsibility instrument filed with the Board, including any amendment thereto, must set forth the correct legal name and address of the principal and the surety thereto and must be countersigned by a Mississippi agent of such surety, setting forth the correct legal name of such agent and such agent's company affiliation and correct business address.

(3) Provided further, however, the Board may allow the filing of a blanket financial responsibility instrument by an operator in the amount of One Hundred Thousand Dollars (\$100,000.00) in a form acceptable to the Supervisor. Such application for blanket coverage shall be accompanied by an attachment listing field name, API# and well name for each well covered by said blanket bond. The Board, after notice and hearing, may in its reasonable discretion for justifiable and good cause, require the filing of a blanket financial responsibility instrument of a different amount superseding any previous order by the Board. Any such blanket financial responsibility instrument shall have the same requirement as set forth hereinabove for single wells except that blanket financial responsibility instruments may apply to more than one well and the amount of such blanket coverage may not be required to be in accordance with the aforesaid relationship of footage.

(d) In lieu of the financial responsibility instrument required by sub-sections (c)(1) and (c)(2) above, an operator may satisfy the requirements of that sub-section by paying to the Emergency Plugging Fund a nonrefundable annual fee equal to five percent of the amount of the financial responsibility instrument that otherwise would be required under subsections (c)(1) and (c)(2) hereof. An operator complying with the requirements of subsections (c)(1) and (c)(2) hereof by payment of the nonrefundable annual fee as provided in this subsection, must do so as to each well to be covered regardless of whether the operator would have qualified for blanket coverage under subsection (c)(3) and without regard for the limits set forth in subsection (c)(3).

(e) Before any person shall commence the drilling of a stratigraphic test or any well below the freshwater level (other than an oil or gas well or an injection well), such person shall file in duplicate with the Board on Form 2 his application for permit to drill, accompanied by a fee of six hundred dollars (\$600), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued promptly by the Supervisor. If drilling operations have not commenced within twelve (12) months after date of issuance, the permit shall become void.

If the application for permit does not comply in all respects with the rules and regulations of the Board relating thereto, said application shall be disallowed, and the Supervisor shall promptly notify the applicant of the reason or reasons for the disallowance.

(f) Before any person shall commence the drilling of, or conversion to, an injection well, such person shall file in duplicate with the Board on Form 2 his application for permit to drill, accompanied by a fee of six hundred dollars (\$600), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued by the Supervisor upon approval by the State Oil and Gas Board, after notice and hearing. If drilling operations have not commenced within twelve (12) months after date of issuance, the permit shall become void.

(g) Before any person shall commence operations to reenter an abandoned well or to convert it to an injection well, such person shall file in duplicate with the Board on Form 2 his application to rework, accompanied by a fee of six hundred dollars (\$600), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued by the Supervisor upon approval by the State Oil and Gas Board, after notice and hearing. If workover operations have not commenced within twelve (12) months after date of issuance, the permit shall become void.

(h) Before any person shall commence operations to rework an operating well or injection well to recomplete to another zone, formation or reservoir, such person shall file in duplicate with the Board on Form 2 his application to rework, accompanied by a fee of one hundred dollars (\$100), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued by the Supervisor. If workover operations have not commenced within six (6) months after date of issuance, the permit shall become void.

Source: MCA Section 53-1-17(3) (1972)

RULE 1.28. PLUGGING AND ABANDONMENT. Each abandoned hole or well shall be plugged by or on behalf of the owner, operator or producer who is in charge of the well and responsible therefore.

A. Schedule of Abandonment and Reporting on Form No. OGB 9-12-15-Z and Form No. 9-A.

1. Dry Holes

All wells drilled for oil or gas and found to be dry prior to or after the effective date of this order shall be plugged within one hundred twenty (120) days after operations have been completed thereon or one hundred twenty (120) days after the effective date of this order, whichever is later, unless an extension of time is granted by the Supervisor.

2. All Other Wells

a. All wells wherein production operations or use as a service well have ceased on or after the effective date of this order shall continue to be reported on Form No. OGB 9-12-15-Z with the appropriate notation that the well is off production or no longer in use as a service well

along with the date of last production or date the service well ceased to be used. After six (6) months, if such a well has not been restored to production or use as a service well, it shall thereafter be reported by the operator on the semiannual "Inactive Well Status Report" (Form No. 9-A). Form No. 9-A shall be filed with the Supervisor showing the status of such well as of April 1st and October 1st of each year (report to be filed no later than April 25th and October 25th). Within six (6) months of the filing of an "Inactive Well Status Report" (Form No. 9-A) the operator shall either: (i) properly plug and abandon the well in accordance with all applicable rules and regulations concerning same; or, (ii) return the well to production operations or use as a service well; or, (iii) submit a request to the Supervisor for a six (6) month extension of the well's "Inactive Well" status. Any request for such a six (6) month extension of the well's "Inactive Well" status shall be accompanied by a new "Inactive Well Status Report" (Form No. 9-A) indicating thereon that it is a request for an extension of a previously filed form. The request shall also be accompanied by information acceptable to the Supervisor concerning the reasons for the request (i.e. proof of the well's future utility, etc.) Any further extension of "Inactive Well" status beyond the one extension that may be granted at the discretion of the Supervisor may be granted only by the Board after notice and hearing and, if granted, may be for such period as the Board, in its discretion, deems appropriate. Any well granted "Inactive Well" status must continue to be reported on Form No. OGB 9-12-15-Z showing the date of last production or the date the well ceased to be used as a service well, together with a notation showing the well is carried on Form No. 9-A, "Inactive Well Status Report" until the well is plugged and abandoned. The extension of Inactive Well status shall not affect the extension or dissolution of the unit as provided in Rule 7 and Rule 8 hereof.

b. The "Inactive Well Status Report" shall list the field, well name, well number and other pertinent data and provide an appropriate column to classify such well as having either (1) future utility, or (2) no future utility. If the well is classified as having future utility, the operator shall specify such utility by completing the appropriate column on the form. Wells so classified shall be reviewed periodically by the Supervisor who, at his discretion, may require an operator to supply additional information to justify the classification.

c. All such wells classified on the "Inactive Well Status Report" (Form No. 9-A) by either the operator or the Supervisor as having no future utility shall be plugged within one hundred twenty (120) days from the date of such classification unless an extension of time is otherwise granted by the Supervisor.

3. Administrative Interpretation

For purposes of administering the heretofore mentioned paragraphs, it is understood that:

a. A wellbore which is completed in more than one common source of supply (multiple completions) shall not be considered as ceasing to produce and shall not be reported on the "Inactive Well Status Report" as long as there is production from or operations in any completion in the wellbore.

b. Failure to file the semiannual "Inactive Well Status Report" and to indicate the date the well was last produced or utilized may subject the well to immediate plugging.

c. Any interested party at any time shall have the right to review by the Board upon notice and hearing with respect to the administration of any provision hereof.

d. A designated secondary or tertiary recovery project shall be considered to be a fieldwide unit approved by the Board for operation pursuant to Mississippi Code Annotated Section 53-3-101, et seq., and which is currently being operated under Special Field Rules which provide for secondary recovery, pressure maintenance, cycling operations, water flood, tertiary recovery, or any combination thereof.

B. Procedure For Plugging

Plugging shall be in accordance with the permit issued as provided for in the preceding rule and unless the permit or Form No. 6 sets forth the method and procedure of plugging the well, the following shall be applicable:

1. With reference to the following, mud shall mean a mud fluid or weighted salt water fluid of sufficient weight to offset the hydrostatic pressure of any of the formations penetrated and cement shall mean cement or a proper cement-admix recognized by and of accepted use in industry.

2. All holes in which no casing was run shall be plugged as follows:

a. The hole shall be filled with mud, and cement plugs of not less than one hundred (100) feet in length shall be placed to protect each producible pool and a cement plug of not less than one hundred (100) feet must be placed approximately fifty (50) feet below all freshwater-bearing strata, together with additional cement plugs to properly protect all uncased freshwater-bearing sands. Further, a cement plug of not less than one hundred (100) feet shall be placed at the bottom of the surface pipe (50 feet in and 50 feet out). A cement plug of at least twenty-five (25) feet shall be placed inside the casing near the surface of the ground, the casing cut off in such a manner so as not to interfere with soil cultivation, and a steel plate welded to the top of the casing stub.

b. Such other plugs as are deemed necessary by the Board to properly plug the well.

c. Placement of all plugs shall be verified by tagging in a manner acceptable to the Board. In lieu of tagging the placement of plugs, the operator may double the size of the plug set forth in Paragraph (a) above.

d. The operator shall notify the Board's representative 48 hours prior to setting the plugs to afford him the opportunity to witness the placement, tagging (if applicable) and testing (if applicable) of all plugs.

3. All wells, excluding those classified as Class II injection wells, in which production casing has been set shall be plugged as follows:

a. If the production casing is not to be immediately pulled, a cement plug of not less than one hundred (100) feet or bridging plug with cement on top shall be placed near the bottom of the casing string at a depth equal to at least 0.9 times the top open perforation and in such position as to protect any producible pool. A cement plug of not less than one hundred (100) feet in length shall be placed inside the production casing at approximately fifty (50) feet below all freshwater-bearing strata. A cement plug of at least twenty-five (25) feet shall be placed inside the smallest string of casing and in all annular spaces near the surface of the ground, the casing(s) cut off in such a manner so as not to interfere with soil cultivation, and a steel plate welded to the top of the casing stub(s).

b. Where the production casing is to be pulled, a cement plug of not less than one hundred (100) feet or bridge plug with cement on top shall be placed near the bottom of the production string at a depth equal to at least 0.9 times the top open perforation so as to properly protect any producible pool and the hole filled with mud up to the point where the production casing is severed. The hole shall be filled with mud and a cement plug of not less than one hundred (100) feet in length shall be placed at approximately fifty (50) feet below all freshwater-bearing strata, together with additional cement plugs to properly protect all uncased freshwater-bearing sands. Further, if the base of surface casing is exposed by pulling the production casing, a cement plug of not less than one hundred (100) feet shall be placed at the bottom of the surface pipe (50 feet in and 50 feet out). A cement plug of at least twenty-five (25) feet shall be placed inside the casing near the surface of the ground, the casing cut off in such a manner so as not to interfere with soil cultivation, and a steel plate welded to the top of the casing stub.

c. Such other cement plugs and testing of plugs as is deemed necessary by the Board to properly plug the well.

d. The placement, tagging and testing, if any, of all cement plugs shall be witnessed by a representative of the Board. If the option of a bridge plug is chosen for plugging, or if a cement retainer is used for cementing, tagging of the plug will not be required. Also, in lieu of tagging the cement plugs, the operator may double the size of any cement plug set forth in Paragraphs (a) and (b) above.

e. The operator shall notify the Board's representative 48 hours prior to setting the plugs to afford him the opportunity to witness the placement, tagging (if applicable) and testing (if applicable) of all plugs.

4. All wells classified as Class II injection wells shall be plugged under the procedure included in Rule 63.

5. After the well is plugged and abandoned and prior to releasing the well to the landowner for unrestricted use, a NORM survey shall be run pursuant to Rule 69 and a Form 21 must be filed with the Board within sixty (60) days after plugging.

6. The operator shall have the option as to the method of placing cement or cement-admix in the hole by (1) dump bailer, (2) pumping through tubing, casing, or drill pipe, (3) pump and plug, or (4) other method approved by the Board.

7. Within thirty (30) days after the plugging of any well, the owner, operator, or producer responsible therefore who plugged, or caused to be plugged, the well shall file an affidavit on Form No. 7 with the Board, setting forth in detail the method used in plugging the well and a record of any casing removed.

C. Restoration of Location

1. Whenever a well location is abandoned, for whatever reason (including the plugging of the well), all materials, debris, equipment and machinery, including, but not limited to, drill pipe, casing, tubing, treaters, separators, tanks, concrete bases and all other drilling production, processing, injection, and plant equipment and above-ground pipelines and related facilities, shall be removed from such location, as well as from any associated oil and gas exploration, production, processing and/or storage sites or locations which have likewise been abandoned. All wastes and other materials, including petroleum-contaminated soil, shall be removed from the location and associated sites and disposed of in accordance with appropriate permit(s) or regulations(s); provided, however, that petroleum-contaminated soil may be approved by the Supervisor for ON-SITE REMEDIATION. In conjunction with the restoration and clean-up of such location(s) and associated site(s), all underground or buried lines shall be flushed and capped at both ends. The removal and disposal of all materials, debris, equipment, etc. from such locations and associated sites shall be conducted in compliance with all applicable Statewide Rules and Regulations, including but not limited to Statewide Rule 68 and Statewide Rule 69 relating to NORM-contaminated wastes.

2. Any excavations shall be filled and the overall location graded or contoured to prevent erosion.

3. All water source wells drilled in connection with the operation shall be properly plugged and abandoned unless future utilization of such well(s) is desired by the landowner, in which event the operator must obtain the written consent of the landowner to leave the water source well(s) open. A copy of such written request by the landowner must be filed with the Supervisor.

4. In any event, the location must be restored within ninety (90) days of the date of plugging and/or abandonment in a manner to be approved by the Supervisor.

Source: MCA Section 53-1-17(3) (1972)

RULE 1.4. APPLICATION TO DRILL.

(a) Before any person shall commence the drilling of any well in search of oil or gas, such person shall file in duplicate with the Board on Form 2 his application for a permit to drill, accompanied by a certified plat and by a fee of six hundred dollars (\$600), payable to the State Oil and Gas Board. When two (2) or more separately owned tracts of land are embraced within the unit for which the permit is sought, the application shall affirmatively state whether or not there are separately owned tracts in the drilling unit for which the permit is sought, and if so, whether or not the person owning the drilling rights therein and the rights to share in the production therefrom have agreed to develop their lands as a drilling unit and to the drilling of the well, as contemplated by Section 53-3-7, Mississippi Code of 1972. If drilling operations have not commenced within twelve (12) months after date of issuance, the permit shall become void. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued promptly by the Supervisor. The issuance of said permit shall constitute the establishment of the drilling unit as designated in said application and shall likewise constitute the approval of the well location set out in said permit. On good cause shown, the unit may be altered by the Board after notice and hearing.

If the application for permit does not comply in all respects with the rules and regulations of the Board relating thereto, said application shall be disallowed, and the Supervisor shall promptly notify the applicant of the reason or reasons for said disallowance.

(b)(1) The operator of each well that has been permitted and drilled but not plugged and reported as plugged as required by Rule 28(B)(3)(d) shall, for each such well, pay an annual fee of \$100.00 to the Emergency Plugging Fund of the Mississippi State Oil & Gas Board. The per well annual fee is due and payable by the operator of the well on July 1st of each year for each well which is then permitted and drilled but not plugged and reported as plugged as required by Rule 28(B)(3)(d). Any such payment of the annual fee provided for herein shall be accompanied by an attachment listing the field name, API #, and well name of each well covered by said payment.

In the event of non-payment of said annual fees by August 15th of any given year, the Board may, in addition to any other means of enforcement allowed under the statutes, rules and regulations of the Board, suspend the permit, suspend the Form 8 (Authorization to Transport Oil or Gas) and/or suspend the Form 9-A (Inactive Well Status) on the subject well and/or any other wells operated by the subject operator. Any such suspension may be carried out by the Supervisor without further action from the Board. After such suspension, reinstatement shall require payment by the subject operator of the delinquent fee plus five percent (5%) penalty per month for each month or portion of a month after July that the fee remains unpaid.

(2) Additional Annual Fees for Inactive Wells

The operator of each inactive well which has been permitted and drilled but not plugged and reported as plugged as required by Statewide Rule 28(B)(3)(d) shall, for each such inactive well, pay an additional \$100.00 annual inactive well fee to the Emergency Plugging Fund of the Mississippi State Oil and Gas Board. The additional per well annual inactive well fee for each

such inactive and unplugged well shall be due and payable by the operator at the time of the filing with the Mississippi State Oil and Gas Board of a petition to approve or extend the inactive well status of such well in accordance with the requirements of Statewide Rule 28.

This additional \$100.00 annual inactive well fee shall be due and payable by the operator for each inactive well which has been permitted and drilled but not plugged and reported as plugged as required by Statewide Rule 28(B)(3)(d), including regular oil and gas wells, wells within designated secondary and tertiary recovery projects (fieldwide unit wells), conventional Class II fluids disposal wells and Class II enhanced oil recovery wells.

Every Class II well which remains shut-in or on standby status longer than one (1) year shall file an inactive well petition with the Mississippi State Oil and Gas Board in accordance with the requirements of Statewide Rule 28.

(c) FINANCIAL RESPONSIBILITY.

(1) As a prerequisite to any person or persons hereafter being issued a permit to drill under the provisions of this Rule, or upon filing of an Oil & Gas Board Form 2 requesting Change of Operator of any well, said person(s) shall file with the Board proof of financial responsibility in such form as is acceptable to the Supervisor in an amount as hereinafter set forth, in accordance with the rules, regulations, and orders of the Board and with the laws of the State of Mississippi. Likewise, the Operator of each unplugged well permitted by this Board prior to August 1, 1998 shall file with the Board such proof of financial responsibility. The amount of the financial responsibility instrument for these wells permitted prior to August 1, 1998 shall be in the amount required in this Rule 4. Failure to provide such proof of financial responsibility on or before January 1, 2009 for unplugged wells permitted prior to August 1, 1998, may subject such wells to immediate plugging. Such financial responsibility instrument shall be payable to the Emergency Plugging Fund of the Mississippi State Oil & Gas Board, for each such well, and shall be executed by such person(s) as principal, and by some surety approved by the Board or by the Supervisor. Each such financial responsibility instrument shall be conditioned that, if such well is drilled, such person(s) shall properly plug and abandon such well in accordance with the provisions of Rule 28 of the Statewide Rules & Regulations, all other statutes, rules, regulations, permits and orders of the Board.

(2) The amount of such financial responsibility instrument shall be in accordance with the following relationship of footage:

Depth in feet	Amount required
Zero to 10,000	\$ 20,000
10,001- 16,000	30,000
16,001- or more	60,000

Provided, further, the Board, in its reasonable discretion for good cause, after notice and hearing, on its own motion or on motion of any interested party, may require proof of a different

amount of surety because of environmentally sensitive conditions at the drill site or for other justifiable reasons and may determine any existing financial responsibility instrument to be inadequate and may require the filing of a new and different instrument or an appropriate amendment to a previously filed instrument. The amount of such instrument required may be more or less than hereinabove set forth, the hearing upon such matter shall be conducted in the same manner as any other hearing before the Board.

Any such financial responsibility instrument filed with the Board, including any amendment thereto, must set forth the correct legal name and address of the principal and the surety thereto and must be countersigned by a Mississippi agent of such surety, setting forth the correct legal name of such agent and such agent's company affiliation and correct business address.

(3) Provided further, however, the Board may allow the filing of a blanket financial responsibility instrument by an operator in the amount of One Hundred Thousand Dollars (\$100,000.00) in a form acceptable to the Supervisor. Such application for blanket coverage shall be accompanied by an attachment listing field name, API# and well name for each well covered by said blanket bond. The Board, after notice and hearing, may in its reasonable discretion for justifiable and good cause, require the filing of a blanket financial responsibility instrument of a different amount superseding any previous order by the Board. Any such blanket financial responsibility instrument shall have the same requirement as set forth hereinabove for single wells except that blanket financial responsibility instruments may apply to more than one well and the amount of such blanket coverage may not be required to be in accordance with the aforesaid relationship of footage.

(d) In lieu of the financial responsibility instrument required by sub-sections (c)(1) and (c)(2) above, an operator may satisfy the requirements of that sub-section by paying to the Emergency Plugging Fund a nonrefundable annual fee equal to five percent of the amount of the financial responsibility instrument that otherwise would be required under subsections (c)(1) and (c)(2) hereof. An operator complying with the requirements of subsections (c)(1) and (c)(2) hereof by payment of the nonrefundable annual fee as provided in this subsection, must do so as to each well to be covered regardless of whether the operator would have qualified for blanket coverage under subsection (c)(3) and without regard for the limits set forth in subsection (c)(3).

(e) Before any person shall commence the drilling of a stratigraphic test or any well below the freshwater level (other than an oil or gas well or an injection well), such person shall file in duplicate with the Board on Form 2 his application for permit to drill, accompanied by a fee of six hundred dollars (\$600), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued promptly by the Supervisor. If drilling operations have not commenced within twelve (12) months after date of issuance, the permit shall become void.

If the application for permit does not comply in all respects with the rules and regulations of the Board relating thereto, said application shall be disallowed, and the Supervisor shall promptly notify the applicant of the reason or reasons for the disallowance.

(f) Before any person shall commence the drilling of, or conversion to, an injection well, such person shall file in duplicate with the Board on Form 2 his application for permit to drill, accompanied by a fee of six hundred dollars (\$600), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued by the Supervisor upon approval by the State Oil and Gas Board, after notice and hearing. If drilling operations have not commenced within twelve (12) months after date of issuance, the permit shall become void.

(g) Before any person shall commence operations to reenter an abandoned well or to convert it to an injection well, such person shall file in duplicate with the Board on Form 2 his application to rework, accompanied by a fee of six hundred dollars (\$600), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued by the Supervisor upon approval by the State Oil and Gas Board, after notice and hearing. If workover operations have not commenced within twelve (12) months after date of issuance, the permit shall become void.

(i) Before any person shall commence operations to rework an operating well or injection well to recomplete to another zone, formation or reservoir, such person shall file in duplicate with the Board on Form 2 his application to rework, accompanied by a fee of one hundred dollars (\$100), payable to the State Oil and Gas Board. If the application complies in all respects with the rules and regulations of the Board relating thereto, a permit shall be issued by the Supervisor. If workover operations have not commenced within six (6) months after date of issuance, the permit shall become void.

Source: MCA Section 53-1-17(3) (1972)

RULE 1.28. PLUGGING AND ABANDONMENT. Each abandoned hole or well shall be plugged by or on behalf of the owner, operator or producer who is in charge of the well and responsible therefore.

A. Schedule of Abandonment and Reporting on Form No. OGB 9-12-15-Z and Form No. 9-A.

1. Dry Holes

All wells drilled for oil or gas and found to be dry prior to or after the effective date of this order shall be plugged within one hundred twenty (120) days after operations have been completed thereon or one hundred twenty (120) days after the effective date of this order, whichever is later, unless an extension of time is granted by the Supervisor.

2. All Other Wells

a. All wells wherein production operations or use as a service well have ceased on or after the effective date of this order shall continue to be reported on Form No. OGB 9-12-15-Z with the appropriate notation that the well is off production or no longer in use as a service well along with the date of last production or date the service well ceased to be used. After six (6) months, if such a well has not been restored to production or use as a service well, it shall

thereafter be reported by the operator on the semiannual "Inactive Well Status Report" (Form No. 9-A). Form No. 9-A shall be filed with the Supervisor showing the status of such well as of April 1st and October 1st of each year (report to be filed no later than April 25th and October 25th). Within six (6) months of the filing of an "Inactive Well Status Report" (Form No. 9-A) the operator shall either: (i) properly plug and abandon the well in accordance with all applicable rules and regulations concerning same; or, (ii) return the well to production operations or use as a service well; or, (iii) submit a request to the Supervisor for a six (6) month extension of the well's "Inactive Well" status. Any request for such a six (6) month extension of the well's "Inactive Well" status shall be accompanied by a new "Inactive Well Status Report" (Form No. 9-A) indicating thereon that it is a request for an extension of a previously filed form. The request shall also be accompanied by information acceptable to the Supervisor concerning the reasons for the request (i.e. proof of the well's future utility, etc.) Any further extension of "Inactive Well" status beyond the one extension that may be granted at the discretion of the Supervisor may be granted only by the Board after notice and hearing and, if granted, may be for such period as the Board, in its discretion, deems appropriate. Any well granted "Inactive Well" status must continue to be reported on Form No. OGB 9-12-15-Z showing the date of last production or the date the well ceased to be used as a service well, together with a notation showing the well is carried on Form No. 9-A, "Inactive Well Status Report" until the well is plugged and abandoned. The extension of Inactive Well status shall not affect the extension or dissolution of the unit as provided in Rule 7 and Rule 8 hereof.

b. The "Inactive Well Status Report" shall list the field, well name, well number and other pertinent data and provide an appropriate column to classify such well as having either (1) future utility, or (2) no future utility. If the well is classified as having future utility, the operator shall specify such utility by completing the appropriate column on the form. Wells so classified shall be reviewed periodically by the Supervisor who, at his discretion, may require an operator to supply additional information to justify the classification.

c. All such wells classified on the "Inactive Well Status Report" (Form No. 9-A) by either the operator or the Supervisor as having no future utility shall be plugged within one hundred twenty (120) days from the date of such classification unless an extension of time is otherwise granted by the Supervisor.

~~d. Notwithstanding anything above to the contrary, all such wells within designated secondary and tertiary recovery projects do not have to be reported on the "Inactive Well Status Report" if the designated secondary or tertiary recovery project is listed on the Form No. OGB 9-12-15-Z beside each inactive well reported therein.~~

3. Administrative Interpretation

For purposes of administering the heretofore mentioned paragraphs, it is understood that:

a. A wellbore which is completed in more than one common source of supply (multiple completions) shall not be considered as ceasing to produce and shall not be reported on the "Inactive Well Status Report" as long as there is production from or operations in any completion in the wellbore.

b. Failure to file the semiannual "Inactive Well Status Report" and to indicate the date the well was last produced or utilized may subject the well to immediate plugging.

c. Any interested party at any time shall have the right to review by the Board upon notice and hearing with respect to the administration of any provision hereof.

d. A designated secondary or tertiary recovery project shall be considered to be a fieldwide unit approved by the Board for operation pursuant to Mississippi Code Annotated Section 53-3-101, et seq., and which is currently being operated under Special Field Rules which provide for secondary recovery, pressure maintenance, cycling operations, water flood, tertiary recovery, or any combination thereof.

B. Procedure For Plugging

Plugging shall be in accordance with the permit issued as provided for in the preceding rule and unless the permit or Form No. 6 sets forth the method and procedure of plugging the well, the following shall be applicable:

1. With reference to the following, mud shall mean a mud fluid or weighted salt water fluid of sufficient weight to offset the hydrostatic pressure of any of the formations penetrated and cement shall mean cement or a proper cement-admix recognized by and of accepted use in industry.

2. All holes in which no casing was run shall be plugged as follows:

a. The hole shall be filled with mud, and cement plugs of not less than one hundred (100) feet in length shall be placed to protect each producible pool and a cement plug of not less than one hundred (100) feet must be placed approximately fifty (50) feet below all freshwater-bearing strata, together with additional cement plugs to properly protect all uncased freshwater-bearing sands. Further, a cement plug of not less than one hundred (100) feet shall be placed at the bottom of the surface pipe (50 feet in and 50 feet out). A cement plug of at least twenty-five (25) feet shall be placed inside the casing near the surface of the ground, the casing cut off in such a manner so as not to interfere with soil cultivation, and a steel plate welded to the top of the casing stub.

b. Such other plugs as are deemed necessary by the Board to properly plug the well.

c. Placement of all plugs shall be verified by tagging in a manner acceptable to the Board. In lieu of tagging the placement of plugs, the operator may double the size of the plug set forth in Paragraph (a) above.

d. The operator shall notify the Board's representative 48 hours prior to setting the plugs to afford him the opportunity to witness the placement, tagging (if applicable) and testing (if applicable) of all plugs.

3. All wells, excluding those classified as Class II injection wells, in which production casing has been set shall be plugged as follows:

a. If the production casing is not to be immediately pulled, a cement plug of not less than one hundred (100) feet or bridging plug with cement on top shall be placed near the bottom of the casing string at a depth equal to at least 0.9 times the top open perforation and in such position as to protect any producible pool. A cement plug of not less than one hundred (100) feet in length shall be placed inside the production casing at approximately fifty (50) feet below all freshwater-bearing strata. A cement plug of at least twenty-five (25) feet shall be placed inside the smallest string of casing and in all annular spaces near the surface of the ground, the casing(s) cut off in such a manner so as not to interfere with soil cultivation, and a steel plate welded to the top of the casing stub(s).

b. Where the production casing is to be pulled, a cement plug of not less than one hundred (100) feet or bridge plug with cement on top shall be placed near the bottom of the production string at a depth equal to at least 0.9 times the top open perforation so as to properly protect any producible pool and the hole filled with mud up to the point where the production casing is severed. The hole shall be filled with mud and a cement plug of not less than one hundred (100) feet in length shall be placed at approximately fifty (50) feet below all freshwater-bearing strata, together with additional cement plugs to properly protect all uncased freshwater-bearing sands. Further, if the base of surface casing is exposed by pulling the production casing, a cement plug of not less than one hundred (100) feet shall be placed at the bottom of the surface pipe (50 feet in and 50 feet out). A cement plug of at least twenty-five (25) feet shall be placed inside the casing near the surface of the ground, the casing cut off in such a manner so as not to interfere with soil cultivation, and a steel plate welded to the top of the casing stub.

c. Such other cement plugs and testing of plugs as is deemed necessary by the Board to properly plug the well.

d. The placement, tagging and testing, if any, of all cement plugs shall be witnessed by a representative of the Board. If the option of a bridge plug is chosen for plugging, or if a cement retainer is used for cementing, tagging of the plug will not be required. Also, in lieu of tagging the cement plugs, the operator may double the size of any cement plug set forth in Paragraphs (a) and (b) above.

e. The operator shall notify the Board's representative 48 hours prior to setting the plugs to afford him the opportunity to witness the placement, tagging (if applicable) and testing (if applicable) of all plugs.

4. All wells classified as Class II injection wells shall be plugged under the procedure included in Rule 63.

5. After the well is plugged and abandoned and prior to releasing the well to the landowner for unrestricted use, a NORM survey shall be run pursuant to Rule 69 and a Form 21 must be filed with the Board within sixty (60) days after plugging.

6. The operator shall have the option as to the method of placing cement or cement-admix in the hole by (1) dump bailer, (2) pumping through tubing, casing, or drill pipe, (3) pump and plug, or (4) other method approved by the Board.

7. Within thirty (30) days after the plugging of any well, the owner, operator, or producer responsible therefore who plugged, or caused to be plugged, the well shall file an affidavit on Form No. 7 with the Board, setting forth in detail the method used in plugging the well and a record of any casing removed.

C. Restoration of Location

1. Whenever a well location is abandoned, for whatever reason (including the plugging of the well), all materials, debris, equipment and machinery, including, but not limited to, drill pipe, casing, tubing, treaters, separators, tanks, concrete bases and all other drilling production, processing, injection, and plant equipment and above-ground pipelines and related facilities, shall be removed from such location, as well as from any associated oil and gas exploration, production, processing and/or storage sites or locations which have likewise been abandoned. All wastes and other materials, including petroleum-contaminated soil, shall be removed from the location and associated sites and disposed of in accordance with appropriate permit(s) or regulations(s); provided, however, that petroleum-contaminated soil may be approved by the Supervisor for ON-SITE REMEDIATION. In conjunction with the restoration and clean-up of such location(s) and associated site(s), all underground or buried lines shall be flushed and capped at both ends. The removal and disposal of all materials, debris, equipment, etc. from such locations and associated sites shall be conducted in compliance with all applicable Statewide Rules and Regulations, including but not limited to Statewide Rule 68 and Statewide Rule 69 relating to NORM-contaminated wastes.

2. Any excavations shall be filled and the overall location graded or contoured to prevent erosion.

3. All water source wells drilled in connection with the operation shall be properly plugged and abandoned unless future utilization of such well(s) is desired by the landowner, in which event the operator must obtain the written consent of the landowner to leave the water source well(s) open. A copy of such written request by the landowner must be filed with the Supervisor.

4. In any event, the location must be restored within ninety (90) days of the date of plugging and/or abandonment in a manner to be approved by the Supervisor.

Source: MCA Section 53-1-17(3) (1972)